

Interim Joint Committee on Agriculture and Natural Resources

Subcommittee on Horse Farming

Minutes of the 1st Meeting

of the 2004 Interim

July 14, 2004

The 1st meeting of the Subcommittee on Horse Farming of the Interim Joint Committee on Agriculture and Natural Resources was held on Wednesday, July 14, 2004, at 10:00 AM, in Room 129 of the Capitol Annex. Representative Susan Westrom, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Damon Thayer, Co-Chair; Representative Susan Westrom, Co-Chair; Representatives Royce Adams, James Bruce, Charlie Hoffman, Thomas McKee, and Don Pasley.

Guests: Claria Horn-Shadwick, Former Governor Brereton Jones, Kentucky Equine Education Project; Patrick Rupinen, Kentucky Horse Council; Chris Nolan, Churchill Downs; Karen McDowell, Nancy Cox and David Sparrow, University of Kentucky.

LRC Staff: Hank Marks, Lowell Atchley, and Sheri Mahan.

Representative Westrom called the meeting to order. She introduced Claria Horn Shadwick, the Executive Director of the Kentucky Equine Education Project (KEEP).

Ms. Shadwick stated that she would discuss the economic and historical impact of Kentucky's equine industry, the threat posed by rival states, and KEEP's mission. She noted the role of the industry in creating jobs and contributing to the tax base; that it is the signature industry and is important for tourism; and that it contributes to the preservation of farmland (it is a "green" industry). She noted that it is wrongly regarded as just a rich person's business, even a "hobby"; that rather it is an industry of many small businesses. She discussed the overall economic impact of the industry and the fact that horses are the state's number one agricultural cash crop, contributing over \$4 Billion to the state's GDP, and 100,000 jobs. Ms. Shadwick discussed the impact of the horse industry on tourism in terms of jobs, the Kentucky Derby, the Horse Park, and racetrack attendance. She also discussed the impact of the Rolex Three-Day Event, international horse organizations, and horse shows (of all breeds).

She noted that Kentucky is to horses what Wall Street is to finance, but that while Kentucky is the best place and the central place for the horse industry, it is not the only place. She discussed other states that are competing with Kentucky with owner/breeder incentives, repeal of taxes on stud fees, and on feed, supplies, and equipment. She discussed our taxation on horses in comparison with taxes on other agricultural activities and livestock, the decline of thoroughbred stallions and mares, the loss of the standardbred breeding industry.

Ms. Shadwick then discussed the mission of KEEP. She said that KEEP is recruiting leaders in every county to "act as ambassadors for our cause". A horse economy video and speakers program is being developed and a website has been created.

She stated that KEEP's board includes leaders from several different breeds and also the United States Equestrian Federation. She stated that KEEP's mission is to unite all breeds "with a single goal of strengthening Kentucky's horse economy and creating additional jobs and economic opportunities for Kentuckians".

Ms. Shadwick stated the need for legislation to include ending tax disincentives, creating tax and other incentives, recruiting more horse farms into Kentucky, developing a quarter horse industry, redeveloping the standardbred industry, and enhancing equine research.

She called upon the legislature to help, saying, "this is a race Kentucky can't afford to lose."

Representative Adams asked about the Kentucky Breeder incentives program and Former Governor Jones and Mr. Frankie O'Connor commented on the program's history in Kentucky and in New York respectively.

Representative McKee stated his approval of efforts to promote the quarter-horse breed in Kentucky.

Chairman Thayer recognized several people in the audience for their contributions to the horse industry.

Representative Adams commented on the recent effort to pass tax exemption legislation relating to the horse industry and the need for good data on the economic and fiscal impact of such taxation and tax exemptions.

Senator Thayer discussed LRC fiscal impact statements relating to stud fee taxation, claims taxation, paramutual excise taxation, and instate wagering.

Representative Bruce praised Former Governor Jones' efforts on behalf of horse farmers and called upon him for continued creativity in addressing the problems of horse farmers and the horse industry in Kentucky.

Representative Pasley stated that in view of the need for tax legislation relating to the horse industry and farming, the Appropriations and Revenue Committee of the General Assembly should be brought into the deliberations of the Subcommittee on Horse Farming and the efforts of KEEP.

Representative Hoffman commented on the difficulty faced by Kentucky vis a vis other, competing states with large populations and tax bases. He also noted the Purchase of Development Rights (PDR) program and asked if KEEP had built that into their program and educational efforts. Ms. Shadwick stated that they had not, but would.

Representative McKee stated that for legislation and tax changes to be regarded favorably, the state and the industry would have to show that we are getting horses (the standardbred) back.

Ms. Shadwick noted that the loss of mares to other states represents, and is a direct cause of the loss of several related jobs.

Representative Pasley noted the "bred here, foaled there" problem by noting Kentucky Derby winner Smarty Jones, bred in Kentucky, foaled in New York.

Representative Westrom cited statistics relating to breeding mares in Kentucky and then shipping them out of state, and the declining numbers of mares in Kentucky. Former Governor Jones was asked to come to the table. He observed that 30% of the foals in America are in Kentucky. But the problem is not the

numbers, per se, but the trend. The trend is toward the loss of mares and foals. He stated that we could get the standardbred industry back but that it would take great effort and time.

Representative Westrom called Jim Navolio to the table to be recognized for his experience and expertise relating to the horse industry and to tax credits, enterprise zones, and similar tax incentive issues. Mr. Navolio noted that John Gaines, Honorary Chairman of KEEP, is working on these issues.

In concluding the meeting, Senator Thayer noted that the horse industry is one of small business; the average net income is \$50,000, with 6-10 employees, and \$1,000,000 in debt. He noted the great beneficial impact to Kentucky's economy of incentives related to the Toyota plant and compared the cost of incentives for horse farming to the far greater cost of the loss of Kentucky's horse industry and horse farms to other states.

The meeting adjourned at approximately 11:30 AM.